

July 15, 2014



To the customers and communities we have the privilege to serve:

As we approach the fourth anniversary of the natural gas pipeline explosion in San Bruno this September, we believe it is our responsibility to provide you an update of what has changed since that tragic day.

In the wake of this terrible event, we have worked hard to do the right thing for the victims, their families and the community. While we can never undo the pain of loss, we took accountability and have settled claims amounting to nearly \$500 million. We also paid for all recovery costs incurred by San Bruno and established a \$70 million fund to be used in whatever way the community wishes.

Beyond this, all of us committed ourselves to transform PG&E into the safest utility in America – from top management to the more than 20,000 local employees who are your neighbors throughout California. And, to better address your needs, we created and empowered local and regional leadership teams – local people in touch with local priorities and concerns.

Here are just a few highlights of how we have worked to make safety the foundation of our culture:

- Change began at the top with my joining the company as the CEO in 2011. We restructured our gas operations business and recruited the best natural gas experts in the country to run it.
- In order to ensure the safety of the existing pipeline system, we digitized records, conducted advanced pressure testing, replaced pipe where necessary and deployed 150 new automated or remotely controlled valves.
- We built a new gas operations command center from which we can control the entire system and respond more quickly and effectively to emergencies. It employs the most advanced 21st century technology.
- When a customer calls to report a gas odor, we are now among the fastest in the entire industry in responding, and we've adopted new gas leak detection technology that is 1,000 times more sensitive than before in order to help find and fix leaks before they become a problem.
- We put 3,500 leaders at all levels of PG&E through safety training and we review the lessons of San Bruno with every new employee we hire as we work each and every day to put safety first.
- We recently became one of the first utilities in the world to earn two of the highest safety certifications – the International Organization for Standardization (ISO) 55001 and Publicly Available Specification (PAS) 55. These stringent certifications must be re-earned every year.

We have made an incredible amount of progress. But we're not done. We have more work to do and we won't rest until it's done and done right. In the meantime, please know that we are absolutely committed to re-earning the trust of all of the people we are fortunate to serve every day.

Thank you for allowing me to share this update with you.

Sincerely,

A handwritten signature in cursive script that reads "Anthony F. Earley, Jr."

ANTHONY F. EARLEY, JR.

Chairman, Chief Executive Officer and President

SB_GT&S_0083817